



**COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 9/22/2020	(3) CONTACT/PHONE Guy Savage/805.781.5011	
(4) SUBJECT Discussion regarding Economic Development in San Luis Obispo County. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board: 1. Receive and file a report on Economic Development in San Luis Obispo County. 2. Provide direction to staff.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input checked="" type="checkbox"/> Board Business (Time Est. 45 mins)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date _____	
(17) ADMINISTRATIVE OFFICE REVIEW This item was prepared by the Administrative Office			
(18) SUPERVISOR DISTRICT(S) All Districts			



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Administrative Office / Guy Savage / 805.781.5011

DATE: 9/22/2020

SUBJECT: Discussion regarding Economic Development in San Luis Obispo County. All Districts.

RECOMMENDATION

It is recommended that the Board:

1. Receive and file a report on Economic Development in San Luis Obispo County.
2. Provide direction to staff.

DISCUSSION

This item provides an opportunity for your Board to discuss economic development (ED) within San Luis Obispo County and provide direction to staff accordingly. Following an overview that touches on many of the ED issues in the county and attempts to address issues raised by your Board and the public, the item provides a three-pillar approach for this discussion regarding ED – creating **Capacity**, continuing **Collaboration**, and providing opportunity for **Creativity**.

OVERVIEW AND BACKGROUND

Economic Development – A Definition

There is no universally accepted definition of Economic Development (ED). Definitions for ED have changed over time and often depend upon the background and focus of the person providing the definition. For instance, economists often focus on the practical and policy aspects of economic growth and related market productivity on the broader economy, whereas sociologists may focus on societal changes that determine the wellbeing of people and are driven by economic growth. Neither view is right or wrong.

For the purposes of this Board item and ensuing discussion, definitions and descriptions provided by the California Association for Local Economic Development (CALED)¹ should be used and assumed:

Economic Development is the creation of wealth from which community benefits are realized. ED is more than a jobs program, it is an investment in growing the local economy and enhancing the prosperity and

¹ From the California Association for Local Economic Development website: <https://caled.org/economic-development-basics/>

quality of life for all residents. From a public perspective, local ED involves the allocation of limited resources – land, labor, capital and entrepreneurship in a way that has a positive effect on the level of business activity, employment, income distribution patterns, and fiscal solvency.

As noted by CALED, ED is not community development. Community development is a process for making a community a better place to live and work. The intersection of ED and community development is sometimes referred to as local economic vitality. Further, while ED and community development are inexorably intertwined in their effects on the citizens in a community, ED is purely and simply the creation of wealth in which community benefits are derived or created. There are three approaches used to enhance local ED. They are:

- Business Retention and Expansion – enhancing existing businesses
- Business Expansion – attracting new business
- Business Creation – encouraging the growth of new businesses

Ultimately, ED is an investment in the future. Through appropriate business retention, expansion and creation efforts, the entire community benefits. As businesses expand or are created, or new industries emerge, positive economic impacts are felt well beyond the jobs and income generated by the specific company or industry.

County of San Luis Obispo ED Activities

The County of San Luis Obispo's direct ED activities have been mostly stagnant for many years. In lieu of providing "classic" ED activities such those defined by CALED and others, the County has provided funding and relied on community partners to meet its ED goals. County elected officials and staff have provided support for these community partners but have rarely engaged directly in sustained ED activities.

One of the last significant ED-related activities undertaken by the County was an update to the County's General Plan – Economic Element in November 2012 (attachment 1). The update included a commitment to six Clusters of Opportunity:

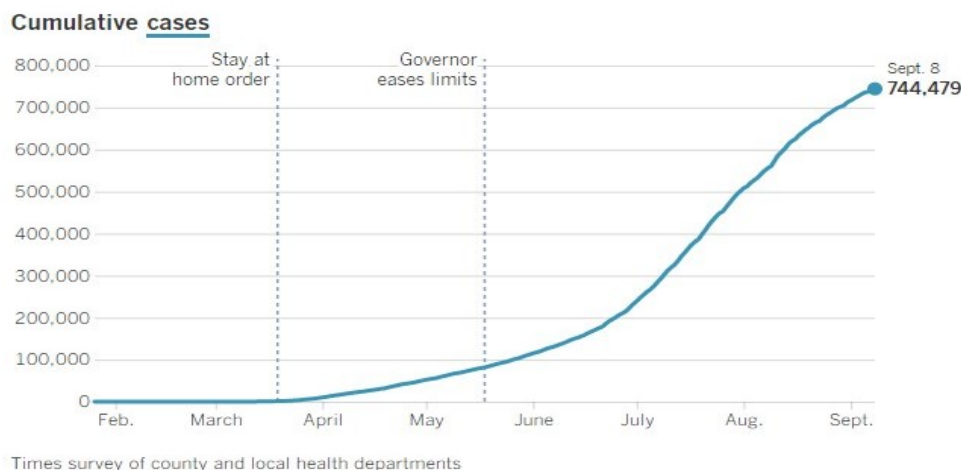
- Building, Design & Construction
- Green Energy
- Health Services
- Knowledge & Innovation
- Specialized Manufacturing
- Uniquely SLO County

According to the Economic Element, "Economic vitality is critical to sustaining a vital community and high quality of life, driving a dynamic cycle that produces revenues for public services and amenities, jobs for residents, projects and services for the local population and housing for the workforce." The Economic Element was intended to be "a document containing goals and policies that will guide actions the County needs to take to assure a vital economy and with it, a continuing high quality of life."

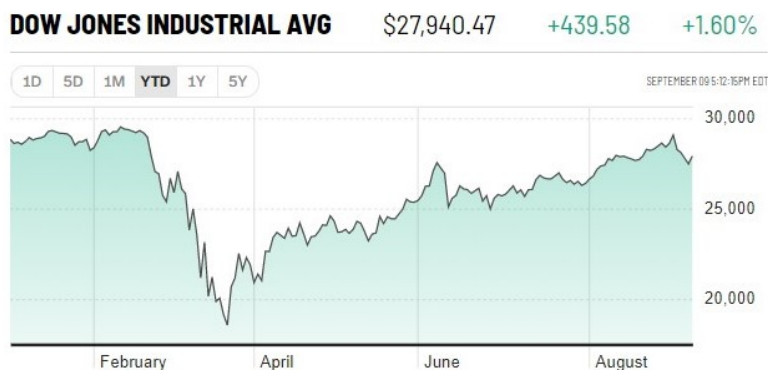
Coronavirus Disease 2019 (COVID-19)

Coronavirus disease (COVID-19) is an infectious disease caused by a coronavirus discovered in 2019. Most people infected with the COVID-19 virus experience mild to moderate respiratory illness and recover without requiring special treatment. Older people, and those with underlying medical problems like cardiovascular disease, diabetes, chronic respiratory disease, and cancer are more likely to develop serious illness. While it is not entirely clear when COVID-19 infections became widespread in the State of California, Governor Newsom issued a stay-at-home executive order on March 19, 2020.

As of September 9, 2020, some 739,527 confirmed cases existed and 13,841 deaths were attributed to COVID-19² in California. Experts say the true number of people infected is unknown and likely much higher than official tallies. An independent Los Angeles Times survey (<https://www.latimes.com/projects/california-coronavirus-cases-tracking-outbreak/>) provides a view into the cumulative case numbers of COVID-19, over time, with markers for important actions taken by Governor Newsom.



The economic impacts of COVID-19 in the United States are still being understood and more data is available on a daily basis. A recent (September 9th) on-line snapshot from CNN's BUSINESS website³ shows the dramatic impact COVID-19 has had on the Dow Jones Industrial Average.



Unemployment Data

Locally, COVID-19 has had a significant impact on our unemployment rates. The existing workforce is approximately 130,000. Average pre-COVID-19 weekly new unemployment insurance claims were around 130 (January 4-March 14, 2020) prior to the pandemic, peaked at 8,959 (week ending March 28, 2020), and are currently around 300, as demonstrated by late August figures. Weekly information for Unemployment Insurance (UI) and Pandemic Unemployment Assistance (PUA) claims is provided below.

² State of California – COVID-19 Statewide Update – update.covid19.ca.gov

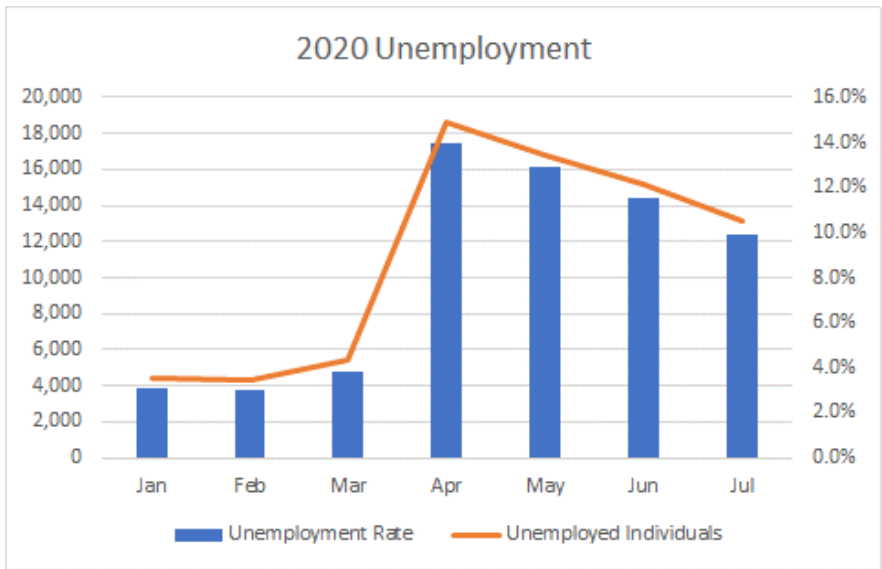
³ <https://www.cnn.com/business/markets/coronavirus>

Number of Weekly New Unemployment Insurance (UI) Claims for San Luis Obispo County				
Week Ending	Local Workforce Development Area (LWDA)	Number of Weekly New UI Claims	New PUA Claims	Total New Initial + PUA Claims
3/7/2020	San Luis Obispo County	111		
3/14/2020	San Luis Obispo County	142		
3/21/2020	San Luis Obispo County	893		
3/28/2020	San Luis Obispo County	8,959		
4/4/2020	San Luis Obispo County	6,131		
4/11/2020	San Luis Obispo County	3,737		
4/18/2020	San Luis Obispo County	2,584		
4/25/2020	San Luis Obispo County	1,294		
5/2/2020	San Luis Obispo County	1,380	2,292	3,672
5/9/2020	San Luis Obispo County	904	811	1,715
5/16/2020	San Luis Obispo County	1,085	625	1,710
5/23/2020	San Luis Obispo County	689	506	1,195
5/30/2020	San Luis Obispo County	679	369	1,048
6/6/2020	San Luis Obispo County	710	360	1,070
6/13/2020	San Luis Obispo County	572	322	894
6/20/2020	San Luis Obispo County	630	379	1,009
6/27/2020	San Luis Obispo County	570	393	963
7/4/2020	San Luis Obispo County	507	312	819
7/11/2020	San Luis Obispo County	500	371	871
7/18/2020	San Luis Obispo County	587	408	995
7/25/2020	San Luis Obispo County	468	411	879
8/1/2020	San Luis Obispo County	423	403	826
8/8/2020	San Luis Obispo County	360	303	663
8/15/2020	San Luis Obispo County	295	333	628
8/22/2020	San Luis Obispo County	324	507	831
8/29/2020	San Luis Obispo County	440	942	1,382

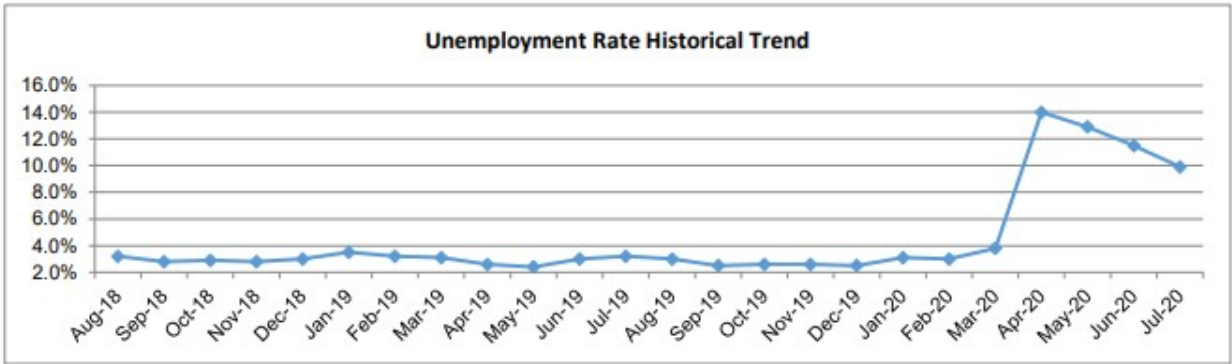
The end of August uptick in PUA claims is due to a backlog of processing that particular type of claim and not necessarily additional claims being made.

These rates are further reflected in the County's monthly unemployment rate. June 2020 information shows a San Luis Obispo County unemployment rate of 11.5%, which translates to 15,193 individuals unemployed. To put these numbers into perspective, COVID-19 has driven county employment rates to the highest numbers seen in decades. Since 1990, the three months between April and June 2020 are the only months with unemployment rates over 11% - April (14.0%, 18,657 individuals), May (12.9%, 16,789 individuals), and June (11.5%, 15,193 individuals). Comparatively, some of the county's lowest unemployment rates since 1990 were seen in 2019 when

unemployment rates hovered at or below 2.6% - April (2.6%), May (2.4%), September (2.5%), October (2.6%), November (2.6%), and December (2.5%). Rates in early 2020, just prior to the COVID-19, were in the low 3% range. Needless to say, 2020 has been a tough year. The chart below provides monthly information on unemployment through July 2020, as full month of August data is not yet available. For July, the San Luis Obispo County unemployment rate was 9.9%; while the unemployment rate for California was 13.7% and 10.5% nationally.



A more historical view of unemployment rate trends is available from the State of California Employment Development Department and is shown below for San Luis Obispo County.



Since March 10, 2020, the County Workforce Development Board (WDB) has tracked nearly 200 businesses who have requested information regarding closure or reductions in staff. The WDB categorizes businesses by industry sector codes. A summary of the tracked businesses provides some insight to the impacts in our county, as shown in the table below. Where the industry sector may be unclear, business types are provided as examples.

Business Sector Category	Example Businesses	Businesses Requesting Information
Retail Trade	Auto dealers, clothing, craft stores, furniture stores	51
Accommodation and Food Services	Hotels, restaurants, bars	40
Other Services Except Public Administration	Salons, day spas, gyms, religious organizations	32
Healthcare and Social Assistance	Doctor's offices, health care	15
Manufacturing	Specialty manufacturers	9
Real Estate and Rental Leasing	Realtors, car rental, property management	9
Transportation and Warehousing	Tour companies, Goodwill	8
Arts Entertainment and Recreation	RV parks, theaters, country clubs	7
Professional Scientific and Technical Services	Software companies	7
Construction	Construction	6
Educational Services	Public and private education	5
Finance and Insurance	Banks, financial services companies	3
Agriculture Forestry Fishing Hunting	Agriculture sector	2
Wholesale Trade	Office suppliers	2
Mining Quarrying Oil and Gas Extraction	Oil and gas	1
Administrative and Support and Waste Management and Remediation	Janitorial services	1

Diablo Canyon Power Plant

Diablo Canyon Power Plant (DCPP) is an electricity generating nuclear power plant located near Avila Beach. Since the permanent shutdown of the San Onofre Nuclear Generating Station (SONGS) in 2013, DCP is the only operational nuclear plant remaining in California. Reactor 1 (unit 1) is scheduled to stop operation in 2024 and reactor 2 (unit 2) will stop operations no later than the end of 2025. The power generated as DCP represents approximately 9% of total energy produced in California and supplies the electrical needs for more than 3 million people. DCP, which employs about 1,500 PG&E workers, is one of the largest employers in the county and provides a large economic base to the area that could be lost when the plant closes. Unitary tax, paid by PG&E, is expected to contribute nearly \$6 million directly to the County in FY 2020-21, which is then used to support County operations and provide services to the community. As was shown by the research done in support of Senate Bill 968 (see below), the closure of DCP is anticipated to have a \$800 million impact to the local economy.

Senate Bill 1090 - 2018

Senate Bill 1090 (SB 1090) was signed into law by Governor Brown on September 19, 2018. SB 1090's key components were full funding of Pacific Gas & Electric's (PG&E's) employee retention program, \$85M in Community Impact Mitigation Funds, and assurance that no increases in emission of greenhouse gases would result from the retirement of Diablo Canyon Power Plant.

Of particular importance to the County of San Luis Obispo are the funds that SB 1090 provides to mitigate the impacts of the closure of Diablo Canyon Power Plant – the \$85M in Community Impact Mitigation Funds. The funds provided by SB 1090 are collected from ratepayers, and then passed through to nearly 90 recipient organizations or functions. Per a settlement agreement signed between the County, Pacific Gas & Electric, a Coalition of Cities, San Luis Coastal Unified School District, and others, the \$85M in Community Impact Mitigation Funds was broken into two components, \$10M for the Economic Development Fund (EDF) and \$75M for the Essential Services Mitigation and Stabilization Fund (ESMSF).

Of the SB 1090 Community Impact Mitigation Funds, the County General Fund received \$4,240,000 for economic development and related purposes. Of the \$4.24M of EDF, \$3.8M was received for the County's sole use and \$400k for regional purposes. Over time, the County will receive \$27,959,798 for ESMSF from SB 1090. Per prior Board direction, County ESMSF funds will be divided between five areas: general fund tax loss mitigation (\$12.1M), housing

(\$5.4M), safety (\$4.5M), infrastructure (\$4.1M), and economic development (\$1.9M). Allocating the funds in this manner is expected to allow the County to address any one-time impacts to the General Fund; complete the establishment of funding/grant opportunities for business development, marketing, and attraction; fund the transition from a nuclear power funded Office of Emergency Services to a General Fund operation; complete the established revolving funds for affordable and workforce housing; and address various infrastructure needs.

In 2019, the County and other local agencies received the full allocation of EDF and first installment of ESMSF. The second installment of ESMSF was received earlier this year.

Senate Bill 968 - 2016

The economic impacts of DCPD closure were estimated by the report from Senate Bill 968, which was signed into law in 2016, suggest a loss of \$800 million in our community. The report also describes the loss of 1500 high-wage jobs, that will be temporarily replaced by 3900 lower-paying jobs, and ultimately resulting in around 500 jobs at DCPD. The full report for SB 968 can be found online at:

https://www.cpuc.ca.gov/uploadedFiles/CPUC_Website/Content/Utilities_and_Industries/Energy/Energy_Programs/Electric_Costs_and_Rates/Nuclear/FINAL_CPUC-UCB_DCPD_EIA_v2.pdf

Reuse of Existing Facilities and Surrounding Lands

The Diablo Canyon Decommissioning Engagement Panel (DCDEP) has provided an excellent forum for public input regarding reuse of facilities and lands related to the operations of DCPD. Appropriate reuse of existing facilities and surrounding lands, particularly the reuse of "Parcel P" could represent a significant impact to local ED efforts.

In testimony to the California Public Utilities Commission (CPUC), the County has expressed:

- Support for the DCDEP vision regarding reuse and preservation/conservation of surround lands.
- Support for repurposing DCPD facilities and infrastructure where possible.
- Interest in continuing some level of desalination operations for the benefit of the community.
- Interest in maintaining the breakwater/harbor, obtaining off-site facilities and infrastructure, and reuse of some buildings for the regions benefit.

County testimony has attempted to make it clear that the County would not support any of shift of risk or liability from PG&E to County taxpayers.

Impact on Small Businesses

As noted in a January 2017 article by Douglas Martin, economic development director, McHenry, Illinois, entitled "[Why Small Business Matters](#)," - According to the U.S. Small Business Administration (SBA), small businesses with less than 500 employees constitute 99.9 percent of all businesses in the United States and 97.7 percent of all U.S. exporting companies. They also account for 48 percent of all employees within the private sector. Local small businesses also make up the majority of those that have had to close or discontinue providing services in our community due to COVID-19.

Martin notes that, the difficult reality is that 50 percent of small businesses fail within five years according to SBA. One of the major factors in failure is financing and access to capital. Small businesses seek financing primarily to fund start-up costs, purchase inventory, and expand and increase their financial foundation.

The SBA recently stated that approximately 73 percent of small businesses used financing in recent years. Fifty-seven percent of business startups were financed using personal savings and 22 percent of small business owners used personal savings to expand their businesses. Small businesses are critical to new job creation, accounting for

63.3 percent of net new jobs (1992 to 2013). The financing issues faced by small businesses have been exacerbated by the economic impacts of COVID-19.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress with bipartisan support and signed into law by President Trump on March 27th, 2020. The CARES Act provided over \$2 trillion in economic relief to small businesses, workers, and families. SBA programs specific to the CARES Act include the Paycheck Protection Program (PPP), Express Bridge Loan, Debt Relief, and Economic Injury Disaster Loan (EIDL) programs. The Federal Government continues to look at, and offer, additional economic support programs for businesses and individuals.

More recently, in early September, Governor Newsom signed three bills to support small businesses grappling with the financial impacts of COVID-19. The legislations builds on previous investments and is expected to help bolster the economic recovery in the State of California. The bills are:

- AB 1577 - Allows small businesses to exclude PPP loans from gross income for state taxes
- SB 1447 - Authorizes \$100 million Main Street hiring tax credit program for small businesses
- SB 115 - Accelerates \$561 million in state bond funding to help jumpstart construction projects

MOVING FORWARD

Capacity

The County currently does not have any staff whose primary focus is ED. As noted, the County instead has relied on community partners to serve its ED purposes. This is particularly problematic at this time due to financial uncertainties driven by COVID-19 and the impending closure of DCP. Staff is therefore seeking direction from your Board on the possible use of SB 1090 funds to hire a full-time position whose sole focus will be on ED activities.

The creation of a full-time position is in alignment with the County's General Plan – Economic Element, per Policy 1.6:
The County should develop and maintain staff trained in and committed to facilitating economic development opportunities.

Adding dedicated staff would put our County more in alignment with how ED is handled across the nation. According to a National Association of Counties (NACo) report (see attachment 2), 57% of counties have a county department managing ED initiatives. The same report noted that, "Counties most typically focus on workforce training, business attraction and retention and regional marketing in their economic development partnerships."

A newly created position could have the following overarching duties:

1. Lead County ED programs and activities.
2. Serve as the County liaison for ED, including relationships with County partners, cities, chambers of commerce, and businesses.
3. Serve as the County lead for current and future activities related to the closure of DCP. This duty would exclude oversight for activities being undertaken by the Planning and Building Department.

While the position would support activities throughout the county, it could contain a specific focus on the unincorporated areas of San Luis Obispo County. The position could also serve as a "portfolio manager" overseeing ED related contracts and grants provided by the County. In this way, the position would be able to follow up on outcomes being driven by ED programs and activities.

Should your Board be in support of such a position, the Administrative Office would work with the Human Resources Department to identify an appropriate (or new) job classification and bring a consent item at a date later this year.

Collaboration

The County participates in numerous ED related collaborations and partnerships. These collaborations help set the stage for a healthy local economy. The previously referenced and attached NACo study noted that 93% of counties participate in economic development initiative and that 81% of counties contribute funding to economic development partnerships.

One of the County's key goals as it pursues ED activities will need to be staying aligned with local and regional partners such as incorporated cities, REACH, chambers of commerce, the Economic Vitality Corporation (EVC), and Cal Poly's Local Economic Development Committee (LEDC). Further, a goal should be for the County to maintain alignment with the Jobs Plan 2030 authored by REACH (see Attachment 3). This will help the County be in sync with regional partners and activities.

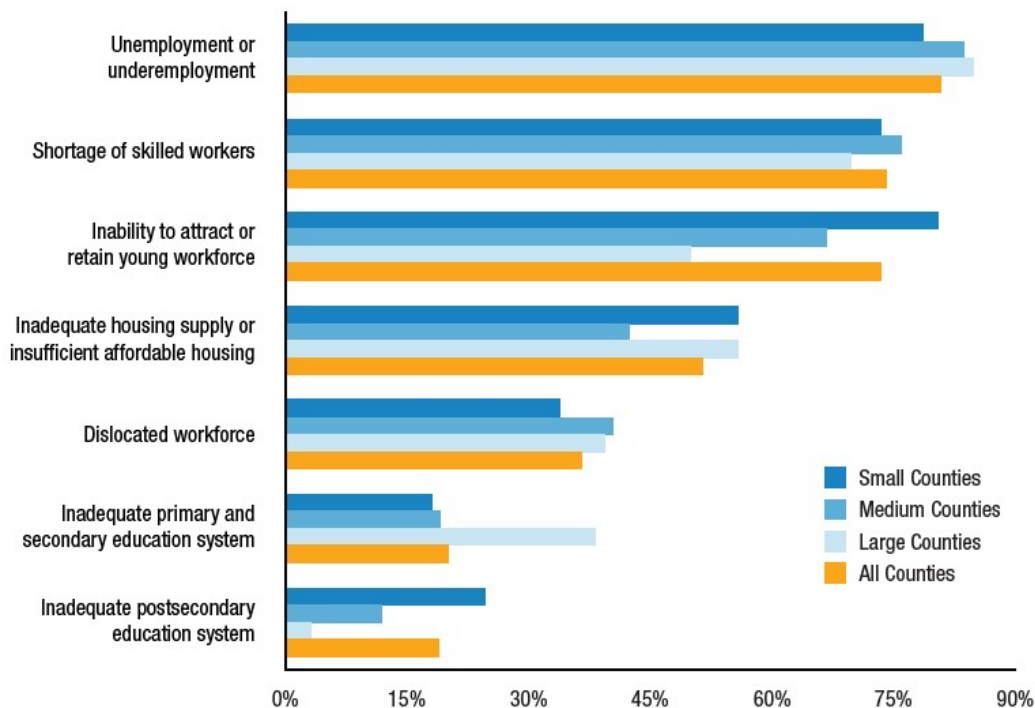
As part of the September 22, 2020 agenda, your Board heard an annual report summary from the Cal Poly Center for Innovation and Entrepreneurship (CIE). The report described how the CIE and its sub-efforts are helping new startups and existing businesses. The CIE represents the County's largest direct financial investment in ED for 2020. Additional FY 2020-21 financial investments include a small contribution to the EVC. The County, with agreement from local cities, also provided \$300k of SB 1090 EDF to REACH (formerly known as the Hourglass Project) to develop a Jobs Plan in FY 2018-19. The Jobs Plan 2030 was completed in early 2020 and implementation efforts have begun. As part of this item, REACH will provide a brief overview of the Jobs Plan 2030. The EVC and REACH are currently in discussions regarding how their organizations can work more effectively together in the future.

County efforts do not stop with monetary investments. The County also collaborates in various ways with other community partners to ensure a vibrant economy. Examples of this include long-standing collaboration with the LEDC and the County's interactions with Visit SLO CAL. As part of this discussion, Visit SLO CAL will provide a brief overview of their recent activities and the tourism industry's response to COVID-19.

Overall, the County's collaborative efforts align with the County's General Plan – Economic Element, per Policy 1.4:

- Work closely with federal, state, regional, and local agencies and economic and business organizations to achieve common economic development goals.

The attached 2014 NACo study noted that workforce challenges are at the top of many county's ED agenda. In the study, San Luis Obispo County fits into the "Medium Counties" category based on our population. Based on the study, unemployment or underemployment is the most common challenge across counties of our size, followed by shortage of skilled workers. Our county is blessed with multiple education opportunities and continues to engage with Cal Poly, Cuesta and Hancock Community Colleges, and the Office of Education sponsored SLO Partners as key training and retraining partners.



Notes: Large counties have more than 500,000 residents. Medium-sized counties have between 50,000 and 500,000 residents. Small counties are counties with less than 50,000 residents.

Sources: NACo survey, October 2013; 2012 population data-U.S. Census Bureau, Population Estimates, 2013

Creativity

The County should not assume it has the best, brightest or most impactful ideas in the ED space. Instead, one area your Board could consider is how or whether it should offer grants, or other financial support to entities that have ideas that may spur ED in our county. For instance, in the past year and pre-COVID-19, the County was approached about making investments into co-working spaces in the north and south parts of the county, the CIE also approached the County for additional one-time funding to support expansion of the HotHouse in downtown SLO. Another idea brought forward was a request to have the County invest in early training opportunities to create cadres of skilled workers. Additionally, ideas about how to effectively spread broadband access in our communities have been raised. Finally, direct loans to local businesses suffering from the economic effects of COVID-19 could be another possibility. While these ideas might lean more towards community development than the definition of ED being used for this item, folding grant/loan programs under an approved ED position seems a logical approach.

These and other ideas also fit well under the County General Plan – Economic Element policies to:

- Encourage economic development that will provide employment opportunities (policy 3.4).
- Develop programs for the retention and expansion of existing business, and the attraction of new businesses that are consistent with community goals and the Clusters of Opportunity Economic Strategy (policy 4.1).
- Encourage provision of an adequate supply of appropriately skilled labor for economic development by supporting a full range of educational opportunities, including vocational, technical, and professional education (policy 4.3).

When combined with the new position described under Capacity, the County could also better pursue Economic Element policy 4.7:

- Support programs that will facilitate progress toward economic development goals and monitor such programs' success.

OTHER AGENCY INVOLVEMENT/IMPACT

The County maintains close contact with incorporated cities, chambers of commerce, education institutions, and other economic development partners.

FINANCIAL CONSIDERATIONS

There are no direct results from this receive and file item. Direction provided by your Board may result in future actions that have financial considerations.

RESULTS

Discussion about ED is timely, particularly given the economic impacts of COVID-19 and the impending closure of Diablo Canyon Power Plant. Providing staff direction will help the County better respond to the evolving situation. Economic development directly impacts the County's Community Results which lead to a Safe, Healthy, Livable, Prosperous and Well-Governed Community.

ATTACHMENTS

- 1 General Plan - Economic Element
- 2 NACo Study – 2014
- 3 REACH 2030 Jobs Plan
- 4 Presentation Visit SLO CAL
- 5 Presentation REACH (Hourglass Project)
- 6 Presentation County